

AGENDA

- ACA Presentation
 - ACA Overview
 - Employer Shared Responsibility
 - ACA Reporting
 - Form 1095-C
 - Form 1094-C
- Review ACA Resources and Benefit Website
- Questions

ACA OVERVIEW



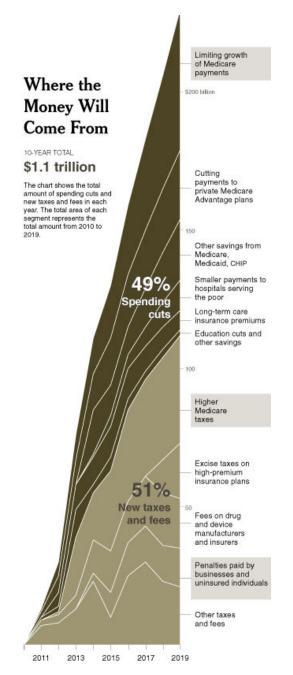


AFFORDABLE CARE ACT (ACA) - STATED GOALS

- Enacted in March of 2010, health reform's stated goals were:
 - Provide access for 30+ million uninsured (#1 objective)
 - Cost control
 - Quality
- Focusing on all three goals was a challenge
- Two key items within ACA
 - Individual Mandate
 - Requires all individuals to have minimal value insurance
 - For 2015, \$325 per uninsured person or 2 percent of household income over the filing threshold, and
 - For 2016 and beyond, \$695 per uninsured person or 2.5 percent of household income over the filing threshold.

Employer Mandate

 Requires State to report to IRS who was offered coverage (and who enrolled), whether the coverage was comprehensive and met all ACA requirements, and whether that coverage was



KEY ELEMENTS OF HEALTH CARE REFORM FOR EMPLOYERS

2015 & 2016

- Employer shared responsibility;
- Child coverage to end of month of 26th birthday6
- Transitional reinsurance fees first due in early/late 2015
- · Additional employer and insurer reporting and disclosure (reporting due in early 2016)
- · Broad expatriate plan relief available for qualifying plans.



- Change in tax treatment for over-age child coverage
- · Early retiree medical reinsurance
- Accounting impact of change in Medicare retiree drug subsidy tax treatment
- Medicare prescription drug "donut hole" beneficiary rebate
- Break time/private room for nursing moms



- No lifetime dollar limits on essential health benefits¹
- Restricted annual dollar limits on essential health benefits; phased amounts until 2014¹
- Child coverage to age 26 (grandfathered plans may limit to children without access to other employer coverage, other than parent's coverage)¹
- No pre-existing condition limitations for enrollees up to age 19¹ and no rescissions¹
- No health FSA/HRA/HSA reimbursement for nonprescribed drugs (except insulin)
- Increased penalties for non-qualified HSA distributions
- Additional standards for non-grandfathered health plans, including preventive care in-network with no cost-sharing, coverage of emergency services in- and out-of-network, appeal and external review, provider choice, and non-discrimination rules for insured plans³
- Income-based Medicare Part D premiums
- Pharmaceutical importers and manufacturers' fees start
- Medicare, Medicare Advantage benefit and payment reforms
- · Insurers subject to medical loss ratio rules



- Employers to distribute uniform summary of benefits and coverage (SBC) to participants
- 60-day advance notice of mid-year material modifications to SBC content
- Form W-2 reporting for health coverage (track in 2012 for W-2 form provided in early 2013)⁴



- \$2,500 (indexed for inflation) per plan year health FSA contribution cap (plan years on or after January 1, 2013)
- Comparative effectiveness research fees first due (7/31) for calendar year plans (and 11/1 and 12/1 plans)
- Employers notify employees about exchanges by Oct. 1, 2013; to new hires thereafter
- · Medical device manufacturers' fees start
- Higher Medicare payroll tax on wages exceeding \$200,000/individual; \$250,000/couples
- Change in Medicare retiree drug subsidy tax treatment takes effect
- Health Insurance exchanges initial open enrollment period (10/1/13 – 3/31/14)



2020

- Health insurance exchange coverage begins
- Individual coverage mandate⁵
- Financial assistance for exchange coverage of lowand middle-income individuals

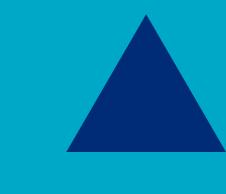
• 40% excise tax on "high

cost" or Cadillac employer-

sponsored health coverage

- State Medicaid expansion (only in some states)
- Child coverage to age 26²
- No annual dollar limits on essential health benefits² (generally banning stand-alone HRAs for active employees)
- No pre-existing condition limits²
- No waiting period over 90 days (plus 1-month employmentbased orientation period)²
- Wellness limit increase allowed²
- · Health insurance industry fees
- Additional standards for non-grandfathered health plans, including limits on in-network out-of-pocket maximums, provider nondiscrimination, and coverage of routine patient costs of clinical trial participants
- Small market, non-grandfathered insured plans must cover essential health benefits using a form of community rating
- Insurers must apply guaranteed issue and renewability to nongrandfathered plans of all sizes
- Health Insurance exchanges 2015 open enrollment period (11/15/14 – 2/15/15)
- Comparative effectiveness research (PCORI) fees first due (7/31) for non-calendar year plans (except 11/1 and 12/1 plans)
- 1. Applies to all plans, including grandfathered plans, effective for plan years beginning on or after 9/23/2010 (1/1/2011, for calendar year plans).
- 2. Applies to all plans, including grandfathered plans, effective for plan years beginning on or after 1/1/2014.
- 3. Applies to non-grandfathered plans, effective for plan years beginning on or after 9/23/2010, except that insured plan discrimination ban is delayed until regulations issued.
- 4. A temporary exemption applies to certain categories of employers.
- 5. A temporary exemption applies to employees of employers with non-calendar-year plans, as well as individuals who enroll in an Exchange plan by 3/31/2014. Other exemptions may also apply.
- 6. Effective 2015 for applicable large employers with 100 or more full-time employees; effective 2016 for applicable large employers with 50 or more full-time employees. Transition relief for non-calendar year plans may apply.

EMPLOYER SHARED RESPONSIBILITY



EMPLOYER SHARED RESPONSIBILITY HOW THE PAYMENT WORKS IN 2015 AND 2016

Plan Year 2015

Does State of Arizona offer a health plan to substantially 70% full-time employees (FTEs) and their dependent children?

You will pay:

 $2,080 \times 38,000 = 79,040,000$

Applies if at least **one** FTE receives taxsubsidized benefits for exchange coverage.

\$79,040,000

Non-offering Employer Payment

Plan Year 2015

Does State of Arizona offer a health plan to substantially all 95% full-time employees (FTEs) and their dependent children)?

Nc

You will pay:

\$2,160 * x 38,000 = \$82,080,000

Applies if at least **one** FTE receives taxsubsidized benefits for exchange coverage.

\$82,080,000

Non-offering Employer Payment

What does this mean for State of Arizona?

2015: Must of offered 26,600 out of 38,000 which allows error rate of **11,400**

2016: Need to offer 36,000 out of 38,000 which allows error rate of **1,900**

OFFERING EMPLOYER PAYMENT IN 2015AND 2016

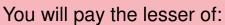
Does the health plan offered to FTEs satisfy standards for both:

(1) affordability (employee-only contribution for plan ≤ 9.5% of an employer affordability safe harbor or employee's household income), and
(2) minimum value (60%)?

Yes

You will not be subject to a shared responsibility payment.

No



\$3,120 x FTEs receiving tax-subsidized benefits for exchange coverage

OR

\$2,080 x (total # FTEs – first 80 FTEs)

\$3,120*

Offering Employer Payment

MINIMUM ESSENTIAL COVERAGE AND MINIMUM VALUE, ARE NOT THE SAME!

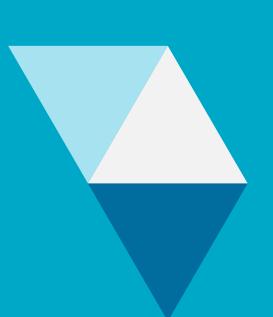
- Minimum Essential Coverage (MEC) is defined very broadly to include virtually any employer sponsored group health plan, governmental sponsored health programs and individual health policies.
 - Employers must offer MEC to at least 70% of their full-time employees in 2015 (95% of its full-time employees in 2016) and their children through the end of the month in which they turn age 26 to avoid potential \$2080 (indexed) "non-offering employer" (a) payment.
 - 2015 Penalty: \$2080 x (total FTEs 80 FTEs) if even one FT employee receives a subsidy to purchase public exchange coverage.
- Minimum Value (MV) plan must pay at least 60% of total costs for essential health benefits.
 - Employers must offer affordable MEC that provides MV to FT employees and their children through the end of the month in which they turn age 26 to avoid potential \$3,120 (indexed) "offering employer" (b) payments.
 - \$3,120 x each FT employee who receives a subsidy to purchase public exchange coverage.

HOW DO YOU DETERMINE AFFORDABLE CONTRIBUTIONS IN 2015?

- An employee's required contribution for minimum value self-only coverage cannot exceed 9.56% of the employee's household income
- Safe harbors contribution less than or equal to 9.5% of:
 - Employee's W-2 wages (Box 1)
 - Hourly rate of pay x 130 hours for hourly employees or monthly salary for salaried employees:
 - Hourly rate greater than \$7.48 will support larger affordable employee contribution than FPL
 - Federal poverty line
 - \$11,670(9.5%)/12 = \$92.39 per month for 2015 calendar year
 - \$11,770(9.5%)/12 = \$93.18 per month for 2016 calendar year



MEASURING EMPLOYEES UNDER ACA



THE 30-HOUR RULE

 Full-time employees are those working on average at least 30 hours per week or 130 hours per month

WHAT HOURS COUNT?

- When determining the 30 hour average, employers must include:
 - Paid hours actually worked
 - All paid-time off:
 - Vacation, holiday, illness, jury duty, military duty, compensatory leave, meritorious leave, donated leave or other paid leave of absence
 - Active employee receiving disability pay, even payments from insurance company through company disability plan (e.g. Sedgwick or Hartford)
 - Special rules for certain unpaid protected leaves (e.g. unpaid FMLA) for employers using lookback method

Data integrity with respect to an employee's hours of service is now critical. If the proper hours of service are not accurately tracked, it can cause (1) an employee to be incorrectly classified under the ACA, (2) the State to file incorrect reports to the IRS. Both of these can trigger separate assessments/penalties.

HOW ARE THE HOURS MEASURED?

- Two options to measure who is a full-time employee in the ACA:
 - Monthly method
 - Look-back method
- For both methods, 30-hour per week is converted to 130 hours per month (with some flexibility to use four or five week periods for monthly method and payroll periods for look-back method)

The State of Arizona is using the look-back method to measure employees.

HOW ARE HOURS MEASURED?

- 1. Determine if employee is an Ongoing Employee or New Hire Employee
 - Ongoing Employee: Employee who have worked for at least one standard measurement period is an ACA ongoing employee (October 10th October 9th). **If employee is Ongoing, see step 2.**
 - New Employees: Employees who are not ongoing employees (i.e., have not been employed for at least one standard measurement period and its associated administrative period) are classified as new employees and are subject to a different set of rules until they become ongoing employees.

 If employee is New Hire, see step 3.
- 2. Ongoing Employees will be measured during Standard Measurement Period (SMP). After completion of the SMP, the Benefit Service Division will measure employees hours that are posted in HRIS to determine benefit eligibly.
 - An ongoing employee who averages at least 130 hours a month over the standard measurement period is classified as an ACA full-time employee in the next stability period. An ongoing employee who does not average at least 130 hours a month over the standard measurement period is classified as a non full-time or "part-time" employee in the next stability period.
- 3. The State must then determine whether the new employee as of the hire date should be classified as (1) ACA full-time, or (2) part-time, variable hour or seasonal.
 - If ACA Designation Code is = **FT**; then employee will automatically be placed in Standard Measurement Period and must be offered benefits immediately after hire date.
 - If ACA Designation Code is = **PT, V, or S**; then employee will be placed into an Initial Measurement Period and employee will be measured by the Benefit Service Division based on hours that are posted in HRIS to determine benefit eligibly after the employee completes 11 months of service.

HOW DOES THE ACA DEAL WITH NEW HIRES? NEW HIRE CLASSIFICATIONS

Full-Time or Non-Seasonal Employees: Reasonably expected to average at least 30 hours per week and is not a seasonal employee

Factors to consider include:

- Whether the new employee is replacing someone who is full-time
- Hours of service of ongoing employees who are employed in similar positions
- Whether the job was advertised or communicated as requiring 30 hours or more

Part Time Employee: Reasonably expected at hire to average fewer than 30 hours of service per week.

Variable Hour Employee: Employer can't reasonably know at hire whether the employee will average at least 30 hours a week over the initial measurement period.

Seasonal Employee: Those hired into positions for which the customary annual employment is six months or less and who commence working at approximately the same time each year.

 An employee can be classified as seasonal even though the employee is expected to average 30 hours or more a week. However, the employee must meet both conditions above.

NEW HIRES UNDER ACA WHEN SHOULD COVERAGE BE OFFERED?

New Full-Time or Non-Seasonal Employees

- If reasonably expected to work full-time, must be offered ability to enroll by the beginning of the fourth calendar month of employment or risk assessments.
- Measured under the monthly method until employee completes one full standard measurement period and administrative period.

New Part-Time, Variable Hour or Seasonal Employees

- This group of employees will be subject to an initial measurement period and initial administrative period.
- Must be offered the ability to enroll by the beginning of the applicable initial stability period if the employee averaged at least 130 hours a month in the initial measurement period.



The initial measurement period cannot be applied to new full-time employees.

ACA DESIGNATIONS VS STATE EMPLOYEE CLASSIFICATIONS

State Employee Classifications	ACA Employee Designations
 <u>Full-Time Employee</u>: Regularly scheduled to work 40 hours per week. <u>Part-Time Employee</u>: Regularly scheduled to work less than 40 hours per week. 	 Ongoing Full-Time Employee: Employee who averaged at least 130 hours per month in the prior standard measurement period. Ongoing Non Full-Time Employee: Employee who did not average at least 130 hours per month
Temporary Employee: A new hire who can work no more than 1500 hours a year on an intermittent basis.	 in the prior standard measurement period. New Full-Time Employee: New hire who is reasonably expected to average at least 30 hours a week and is not a seasonal employee. New Part-Time Employee: New hire who is
State employees are eligible for benefits if they are regularly scheduled to work for at least 20 hours a week.	 reasonably expected to average fewer than 30 hours per week. New Variable Hour Employee: The State cannot determine upon hire whether the employee will average at least 30 hours a week over the initial measurement period.
	 Mew Seasonal Employee: New hire in a position for which the customary annual employment is six months or less and who commences working at approximately the same time each year.

LOOKBACK MEASUREMENT / ONGOING EMPLOYEES

 The look-back method identifies ACA full-time employees in a current stability period based on hours measured during a prior employment period (called the measurement period).

Standard Measurement Period

- Employer determines a standard measurement period to look back at actual service hours. All hours of service are averaged over the course of the measurement period.
- The State's standard measurement period runs from October 10th of every year through October 9th of the following year.

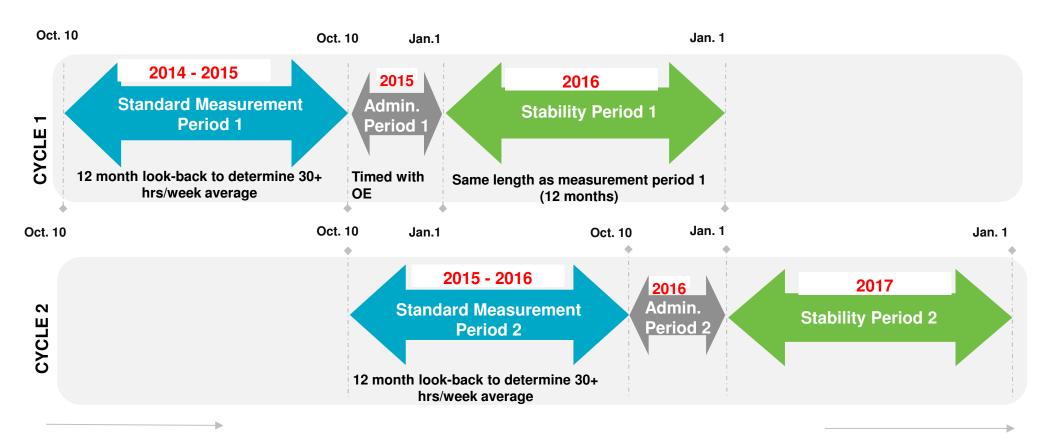
Administrative Period

- Employer can use an administrative period (up to 90 days) between the standard measurement period and standard stability period.
- The State's standard administrative period runs from October 10th of every year through December 31st of every year.

Standard Stability Period

- Hours measured during the standard measurement period determine full-time/part-time status in a stability period.
- The State's standard stability period runs from January 1st through December 31st of every year.

LOOK-BACK METHOD EXAMPLE ONGOING EMPLOYEE



INITIAL MEASUREMENT PERIOD FOR NEW HIRES WITH ACA DESIGNATION AS PART-TIME, VARIABLE HOUR OR SEASONAL

Initial Measurement Period

- The State is using an 11 month initial measurement period.
 - For employees hired on the 1st of the month, the initial measurement period begins on the date of hire.
 - For employee's hired on a day other than the 1st of the month, the initial measurement period begins on the 1st of the month following the date of hire.

Initial Administrative Period

- After the initial measurement period ends, the State will have an additional two month initial administrative period.
 - For employees who are not hired on the 1st of the month, additional administrative period time is available for the period between the date of hire and the start of the initial measurement period.

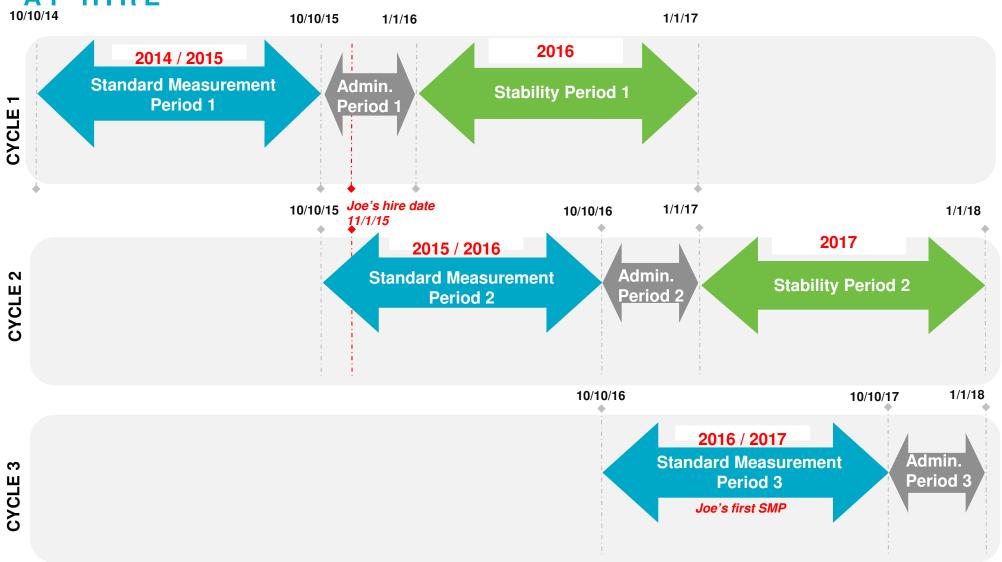
Initial Stability
Period

 The 12 month period following the initial measurement period and the initial administrative period.

EXAMPLES



NEW EMPLOYEE WHO IS EXPECTED TO BE FULL-TIME AT HIRE



- Joe is hired by the State of Arizona on November 1, 2015 into a position in which he is regularly expected to work at least 30 hours a week.
- Joe remains employed this same position through 2018 and averages at least 130 hours every month.

NEW EMPLOYEE WHO IS EXPECTED TO BE FULL-TIME AT HIRE

- Joe is hired by the State of Arizona on November 1, 2015 into a position in which he is regularly expected to work at least 30 hours a week.
- Joe remains employed in this same position through 2018 and averages at least 130 hours every month.

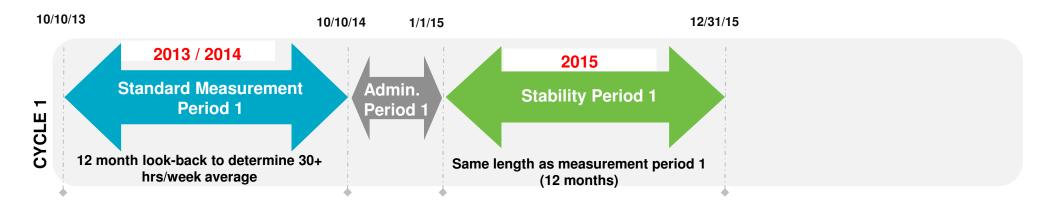
Result for 2015, 2016 and 2017 Plan Year

- Joe is classified as a new full-time employee under the ACA.
- Joe is measured under the monthly method until January 1, 2018, almost two years after his hire date, because this is the first stability period after he completes one full standard measurement period and administrative period.
- Under the monthly method, Joe is considered a full-time employee for every month in which he works at least 130 hours a month until January 1, 2018.

Result for 2018 Plan Year

- Since Joe worked at least 130 hours in the measurement period that began on October 10, 2016 and ended on October 9, 2017, Joe is now an ongoing employee who is classified as a fulltime employee for the entire 2018 stability period.
- Joe is now an ongoing employee who is always measured under the standard measurement period.

ONGOING EMPLOYEE HIRED INTO A FULL TIME POSITION



- Ian has been employed with the State of Arizona as a full-time employee who is regularly scheduled to work 40 hours a week since February 16, 2012.
- Ian averaged at least 130 hours a month during the measurement period that began on October 10, 2013 and ended October 9, 2014.

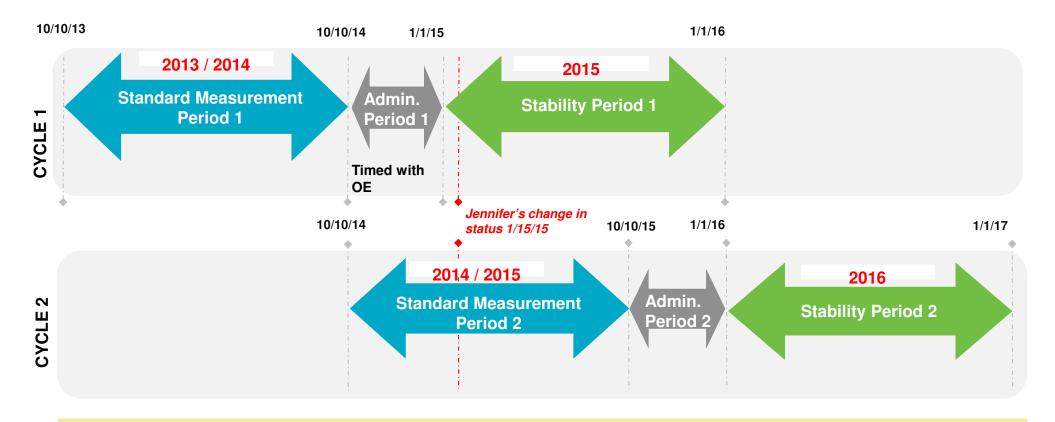
ONGOING EMPLOYEE HIRED INTO A FULL TIME POSITION (CONTINUED)

- Ian has been employed with the State of Arizona as a full-time employee who is regularly scheduled to work 40 hours a week since February 16, 2012.
- Ian averaged at least 130 hours a month during the measurement period that began on October 10, 2013 and ended October 9, 2014.

Result for 2015

- Ian is classified and reported as an ACA full-time employee for the entire 2015 stability period because he averaged at least 130 hours a month during the prior measurement period (10/10/13 through 10/9/14).
- If Ian is not offered qualifying coverage for all of 2015, the State can be subject to ESR assessments.

ONGOING EMPLOYEE HIRED INTO A FULL TIME POSITION TRANSFERS TO PART TIME POSITION



- Jennifer has been employed with the State of Arizona as a full-time employee who is regularly scheduled to work 40 hours a week since May 2, 2012.
- Jennifer averaged at least 130 hours a month during the measurement period that began on October 10, 2013 and ended October 9, 2014.
- Jennifer has a change in status so that effective as of January 15, 2015, she will be regularly scheduled to work only 15 hours a week.
- Jennifer does not work more than 15 hours a week from January 15, 2015 through December 31, 2015.

ONGOING EMPLOYEE HIRED INTO A FULL TIME POSITION TRANSFERS TO PART TIME POSITION (CONTINUED)

- Jennifer has been employed with the State of Arizona as a full-time employee who is regularly scheduled to work 40 hours a week since May 2, 2012.
- Jennifer averaged at least 130 hours a month during the measurement period that began on October 10, 2013 and ended October 9, 2014.
- Jennifer has a change in status so that effective as of January 15, 2015, she will be regularly scheduled to work only 15 hours a week.
- Jennifer does not work more than 15 hours a week from January 15, 2015 through December 31, 2015.

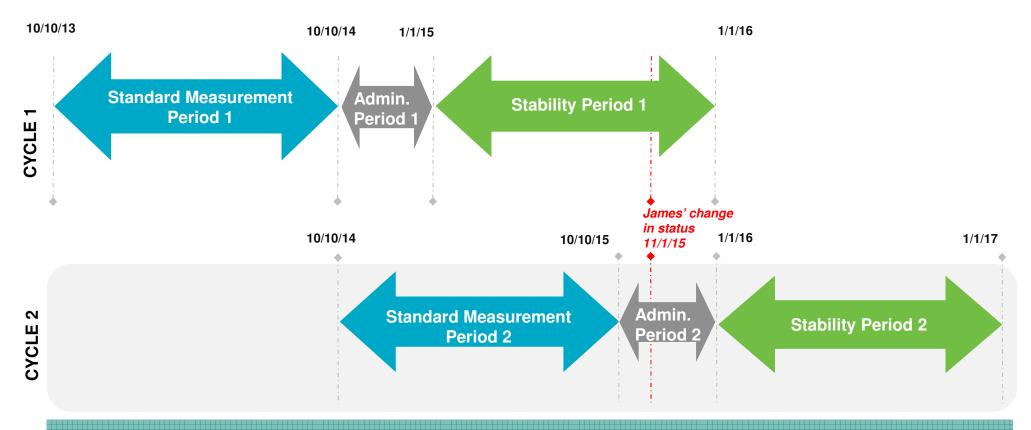
Result for 2015 Plan Year

- Jennifer is classified as an ACA full-time employee for the entire 2015 stability period because she averaged at least 130 hours a month during the prior measurement period (10/10/13 through 10/9/14).
- If Jennifer is not offered qualifying coverage for all of 2015, the State can be subject to ESR assessments.

Result for 2016 Plan Year

- Jennifer is NOT classified as an ACA full-time employee for the entire 2016 stability period because she did <u>not</u> average at least 130 hours a month during the prior measurement period (10/10/14 through 10/9/15).
- The State will not be subject to any ESR assessments for not offering Jennifer qualifying coverage in 2016.

ONGOING EMPLOYEE HIRED INTO A FULL TIME POSITION REDUCES WORK SCHEDULE



- James has been employed with the State of Arizona as a full-time employee who is regularly scheduled to work 40 hours a week since September 18, 2013.
- James averages at least 130 hours a month until November 1, 2015. On November 1, 2015, James has a change in status so that he will be regularly scheduled to work only 15 hours a week.
- James does not work more than 15 hours on and after November 1, 2015.

ONGOING EMPLOYEE HIRED INTO A FULL TIME POSITION REDUCES WORK SCHEDULE (CONT'D)

- James has been employed with the State of Arizona as a full-time employee who is regularly scheduled to work 40 hours a week since September 18, 2013.
- James averages at least 130 hours a month until November 1, 2015. On November 1, 2015, James has a change in status so that he will be regularly scheduled to work only 15 hours a week.
- James does not work more than 15 hours on and after November 1, 2015.

Result for 2015

- James is classified as an ACA full-time employee for the entire 2015 stability period because he averaged at least 130 hours a month during the prior measurement period (10/10/13 through 10/9/14).
- If James is not offered qualifying coverage for all of 2015, the State can be subject to ESR assessments.

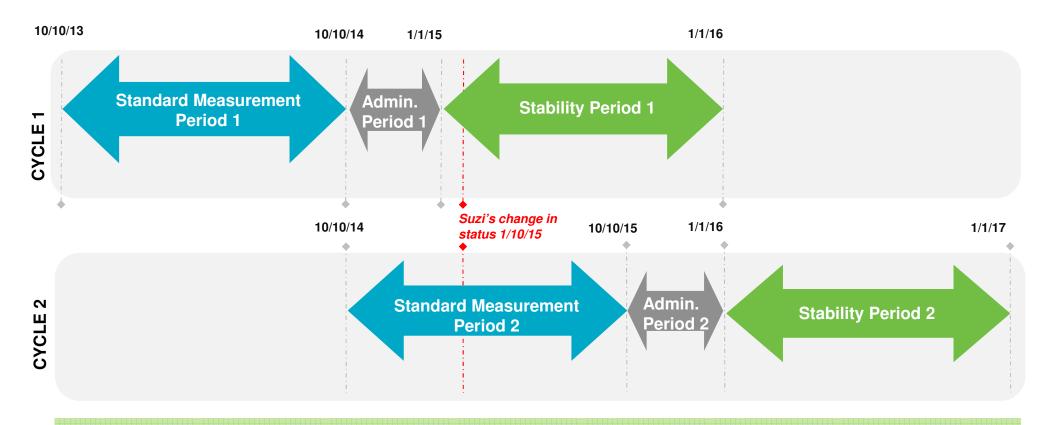
Result for 2016

- James is classified as an ACA full-time employee for the entire 2016 stability period as well because he averaged at least 130 hours a month during the prior measurement period (10/10/14 through 10/9/15).
- If James is not offered qualifying coverage for all of 2016, the State can be subject to ESR assessments.

Result for 2017

- James is NOT classified as an ACA full-time employee for the entire 2017 stability period because he did <u>not</u> average at least 130 hours a month during the prior measurement period (10/10/15 through 10/9/16).
- The State will not be subject to any ESR assessments for not offering James qualifying coverage in 2017.

EMPLOYEE HIRED INTO ONGOING PART-TIME EMPLOYEE TRANSFERS INTO FULL TIME POSITION



- Suzi has been employed with the State of Arizona as a part-time employee who is regularly scheduled to work 15 hours a week since June 3, 2012.
- Suzi does NOT average at least 130 hours a month.
- Suzi has a change in status so that effective as of January 10, 2015, she will be regularly scheduled to work 35 hours a week.
- Suzi works on average 35 hours a week from January 10, 2015 through December 31, 2015.

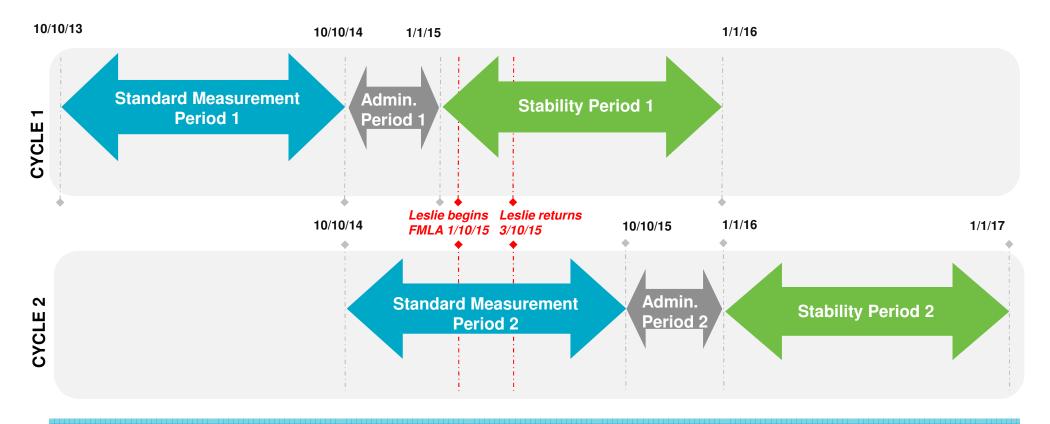
EMPLOYEE HIRED INTO ONGOING PART-TIME EMPLOYEE TRANSFERS INTO FULL TIME POSITION (CONTINUED)

- Suzi has been employed with the State of Arizona as a part-time employee who is regularly scheduled to work 15 hours a week since June 3, 2012.
- Suzi does NOT average at least 130 hours a month.
- Suzi has a change in status so that effective as of January 10, 2015, she will be regularly scheduled to work 35 hours a week.
- Suzi works on average 35 hours a week from January 10, 2015 through December 31, 2015.

Result for 2015 Plan Year

- Suzi is NOT classified as an ACA full-time employee for the entire 2015 stability period because she averaged less than 130 hours a month during the prior measurement period (10/10/13 through 10/9/14).
- Even though Suzi moves to a full-time position effective January 15, 2015, she is <u>not</u> classified and reported as an ACA full-time employee for the entire 2015 stability period.
- The State has decided to be more generous than what ACA requires and will offer Suzi medical coverage as of the first pay period on or after January 10, 2015.

ONGOING FULL-TIME EMPLOYEE GOES ON FMLA LEAVE



- Leslie has been employed with the State of Arizona as an ongoing full-time employee who is regularly scheduled to work 40 hours a week since May 15, 2012.
- Leslie averages at least 130 hours a month until she goes on an unpaid protected FMLA leave of absence on January 10, 2015. Leslie returns from this unpaid protected leave on March 10, 2015.
- After Leslie's return from the unpaid FMLA leave of absence on March 10, 2015, Leslie continues to average at least 130 hours a month.

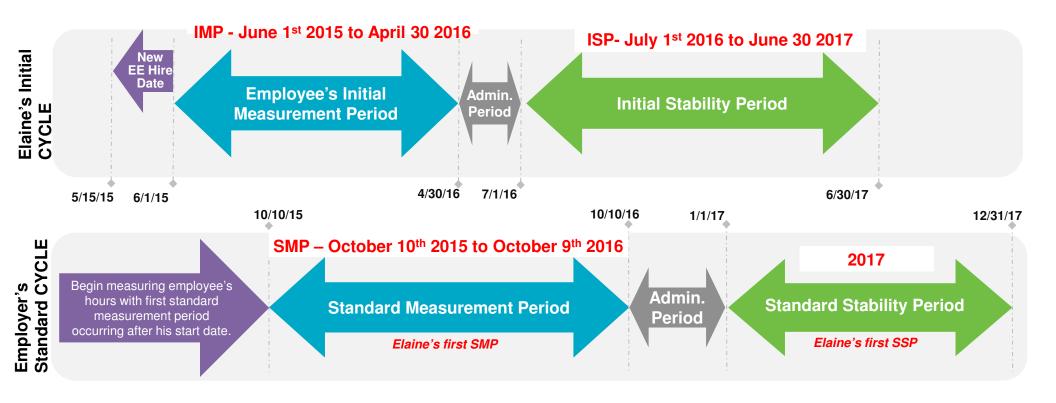
ONGOING FULL-TIME EMPLOYEE GOES ON FMLA LEAVE (CONTINUED)

- Leslie has been employed with the State of Arizona as an ongoing full-time employee who is regularly scheduled to work 40 hours a week since May 15, 2012.
- Leslie averages at least 130 hours a month until she goes on an unpaid protected FMLA leave of absence on January 10, 2015. Leslie returns from this unpaid protected leave on March 10, 2015.
- After Leslie's return from the unpaid FMLA leave of absence on March 10, 2015, Leslie continues to average at least 130 hours a month.

Result for 2015 Plan Year

- Leslie is classified as an ACA full-time employee for the entire 2015 stability period because she averaged at least 130 hours a month during the prior measurement period (10/10/13 through 10/9/14).
- For the measurement period beginning on 10/10/14 and ending on 10/9/15, Leslie must either be credited with her average weekly rate during her FMLA leave period or her measurement period should be reduced by the length of her FMLA leave period.

NEW EMPLOYEE WHO IS HIRED AS A VARIABLE HOUR EMPLOYEE



- Elaine is hired by the State of Arizona on May 15, 2015 into a variable hour employee position.
- Elaine averages at least 130 hours a month during her initial measurement period that commences on 6/1/15 and ends on 4/30/16.
- Elaine also averages at least 130 hours a month during the State's standard measurement period that begins on 10/10/15 and ends on 10/9/16.

NEW EMPLOYEE WHO IS HIRED AS A VARIABLE HOUR EMPLOYEE

- Elaine is hired by the State of Arizona on May 15, 2015 into a variable hour employee position.
- Elaine averages at least 130 hours a month during her initial measurement period that commences on 6/1/15 and ends on 4/30/16.
- Elaine also averages at least 130 hours a month during the State's standard measurement period that begins on 10/10/15 and ends on 10/9/16.

Result for 2015

 Elaine is not eligible for benefits at all in 2015 because she is hired into an ACA variable hour position and her hours are being tracked in the initial measurement period.

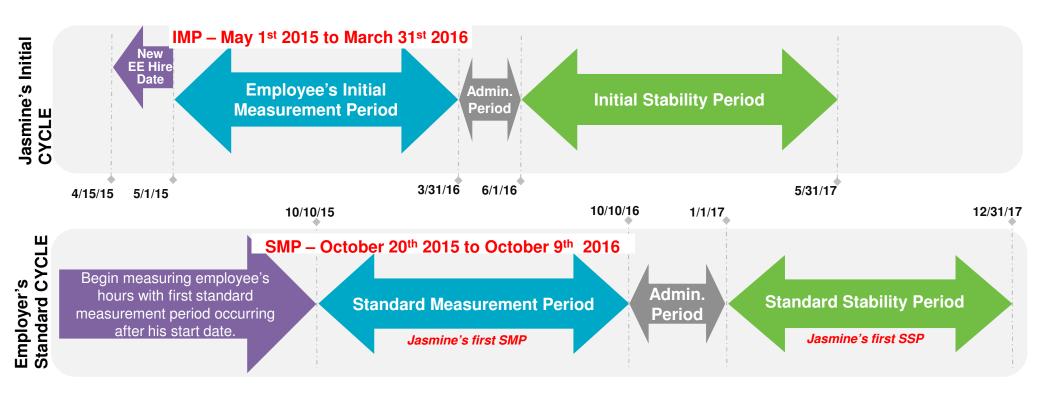
Result for 2016

- Elaine is not eligible for benefits during the months of January through June of 2016 because she is still in her initial measurement period and administrative period.
- Elaine is eligible for qualifying coverage as of July 1, 2016, the start of her initial stability period because she averaged at least 130 hours a month during her initial measurement period.

Result for 2017 and beyond

- Elaine is eligible for qualifying coverage for all of 2017, which includes the remainder of her initial stability period and the standard 2017 stability period. This is because she averaged at least 130 hours during her initial measurement period and standard measurement period.
- Elaine is now considered to be an ongoing employee because she has completed one full standard measurement period and administrative period.
- Elaine's eligibility for benefits as of 1/1/18 will depend on her average hours during the standard measurement period that begins on 1010/16 and ends on 10/9/17.

NEW EMPLOYEE WHO IS HIRED AS A VARIABLE HOUR EMPLOYEE



- Jasmine is hired by the State of Arizona on April 15, 2015 into a variable hour employee position.
- Jasmine averages at least 130 hours a month during her initial measurement period that commences on 5/1/15 and ends on 3/31/16.
- Jasmine does not average at least 130 hours a month during the standard measurement period that commences on 10/10/15 and ends on 10/9/16.

NEW EMPLOYEE WHO IS HIRED AS A VARIABLE HOUR EMPLOYEE

- Jasmine is hired by the State of Arizona on April 15, 2015 into a variable hour employee position.
- Jasmine averages at least 130 hours a month during her initial measurement period that commences on 5/1/15 and ends on 3/31/16.
- Jasmine does not average at least 130 hours a month during the standard measurement period that commences on 10/10/15 and ends on 10/9/16.

Result for 2015

 Jasmine is not eligible for benefits at all in 2015 because she is hired into an ACA variable hour position and her hours are being tracked in the initial measurement period.

Result for 2016

- Jasmine is not eligible for benefits during the months of January through May of 2016 because she is still in her initial measurement period and administrative period.
- Jasmine is eligible for qualifying coverage as of June 1, 2016, the start of her initial stability period.

Result for 2017 and beyond

- Jasmine is eligible for qualifying coverage until May 31, 2017, the end of her initial stability period.
- Jasmine is not eligible for coverage from June 1, 2017 through December 31, 2017 because she did not average at least 130 hours in the standard measurement that commenced on 10/10/15 and ended on 10/9/16.
- Jasmine is now considered to be an ongoing employee.
- Jasmine's eligibility for benefits as of 1/1/18 will depend on her average hours during the standard measurement period that begins on 1010/16 and ends on 10/9/17.

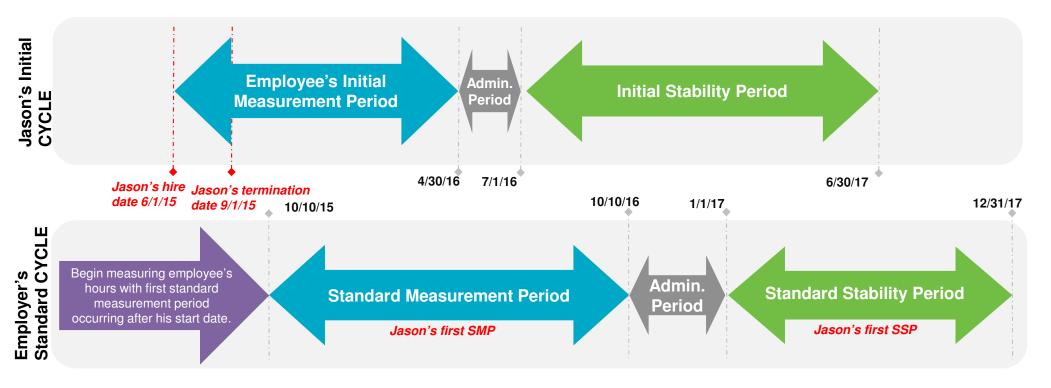
A NEW SHORT TERM HIRE

- Nicole is hired by the State on 2/3/15 to work on a special project that does not occur every year and is only expected to be employed for five months.
- Nicole is expected to work at least 30 hours a week for the duration of her employment.

Result for 2015 Plan Year

- Nicole is considered to be an ACA full-time employee upon hire.
- Nicole cannot be subject to an initial measurement period because she is not a part-time, variable hour or seasonal employee upon hire.
- Note that Nicole is not a seasonal employee even though her employment is only expected to last for five months because this is not a position for which hires are made during the same time every year.
- If Nicole is not offered benefits by June 1, 2015, the State can be subject to assessments if Nicole obtains subsidized coverage through the public exchange.
- Nicole must be reported as a full-time employee during her period of employment.

A NEW SHORT TERM HIRE WHO IS A SEASONAL EMPLOYEE



- Jason is hired by the State to work as a summer intern on 6/1/15 and is expected to be employed for only 3
 months.
- Jason is expected to work at least 30 hours a week for the duration of his employment.
- Jason's employment terminates on September 1, 2015 and is not rehired by the State for the remainder of the year.

A NEW SHORT TERM HIRE WHO IS A SEASONAL EMPLOYEE

- Jason is hired by the State to work as a summer intern on 6/1/15 and is expected to be employed for only 3 months.
- Jason is expected to work at least 30 hours a week for the duration of his employment.
- Jason's employment terminates on September 1, 2015 and is not rehired by the State for the remainder of the year.

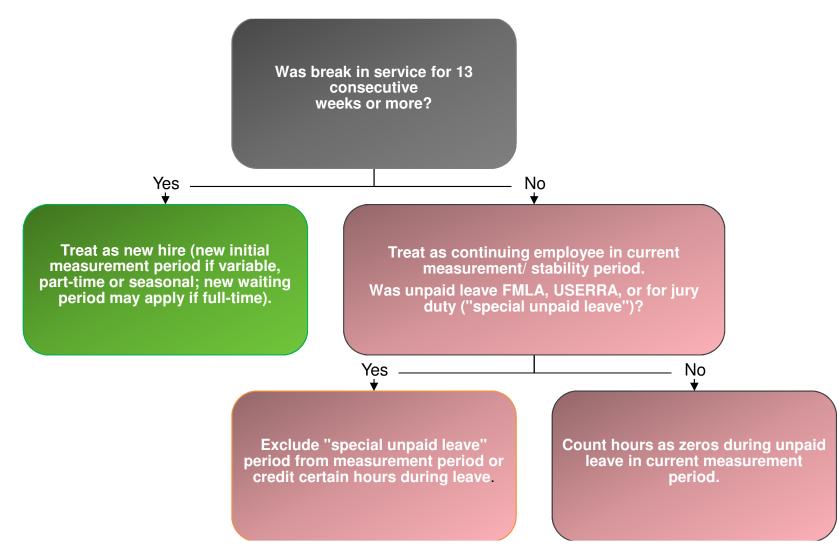
Result for 2015 Plan Year

- Jason is considered to be a seasonal employee because he is hired for a duration of six months or less and into a position in which hires are made every summer.
- Jason is subject to an initial measurement period that commences on 6/1/15 and ends on 4/30/16.
- Jason will not average at least 130 hours a month during his initial measurement period and will not be entitled to benefits during the term of his employment.
- The State does not have to report Jason as being a full-time employee in 2015 and will not be subject to any ESR assessments for not offering Jason qualifying coverage.

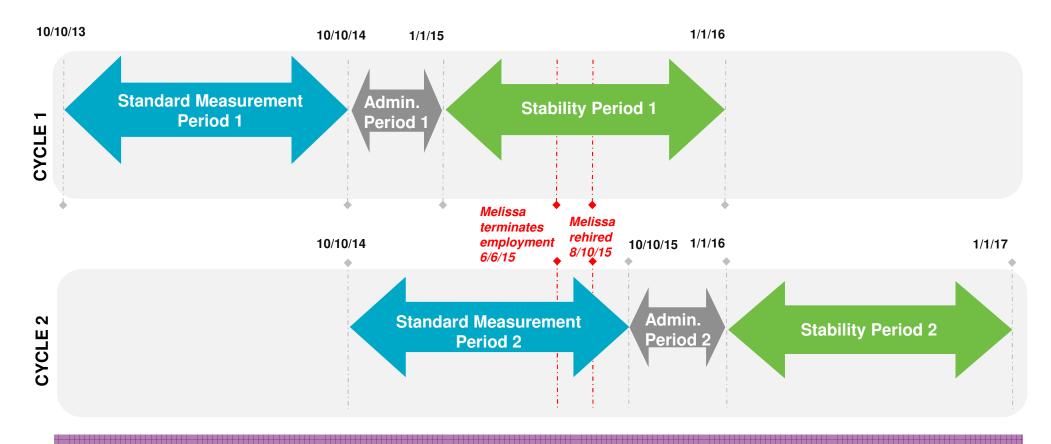
RETURN TO WORK/REHIRE RULES



DETERMINING FULL-TIME EMPLOYEE STATUS USING LOOK-BACK METHOD RETURN TO WORK/REHIRE



REHIRE WITH BREAK IN SERVICE THAT IS LESS THAN 13 WEEKS



- Melissa, an ongoing full-time employee of the State, terminates from employment on June 6, 2015.
- Melissa had averaged at least 130 hours a month during the prior measurement period that began on 10/10/13 and ended on 10/9/14.
- Melissa is rehired with the State on August 10, 2015, as a part-time employee scheduled to work 15 hours a week.

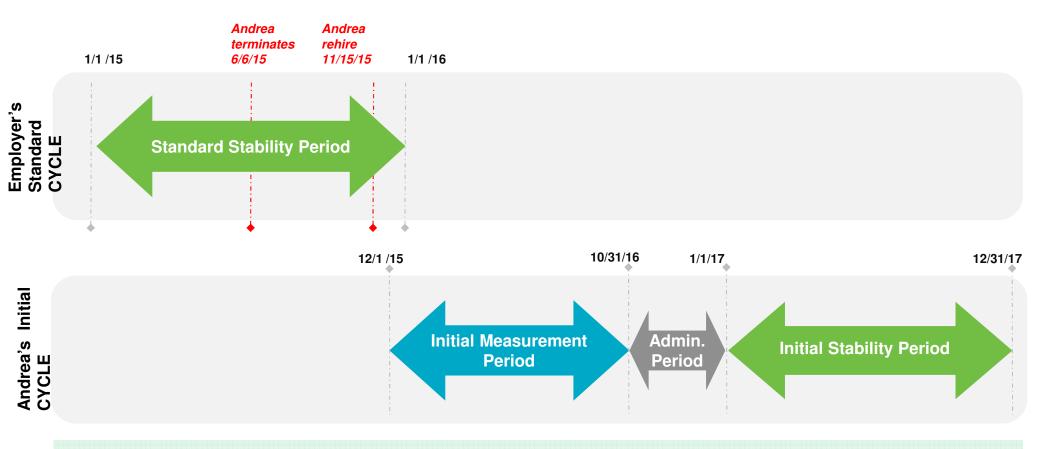
REHIRE WITH BREAK IN SERVICE THAT IS LESS THAN 13 WEEKS

- Melissa, an ongoing full-time employee of the State, terminates from employment on June 6, 2015.
- Melissa had averaged at least 130 hours a month during the prior measurement period that began on 10/10/13 and ended on 10/9/14.
- Melissa is rehired by the State on August 10, 2015, as a part-time employee scheduled to work 15 hours a week.

Result

- Melissa must be offered medical benefits as of September 1, 2015 because Melissa's break in service was less than 13 consecutive weeks and she is treated as a continuing employee as of her rehire date.
- Since Melissa was classified as an ACA full-time employee prior to her termination and is treated as a continuing employee upon her rehire, she retains that ACA full-time classification until the end of the 2015 stability period.
- Melissa's eligibility for benefits as of 1/1/16 will depend on how many hours she averages over the standard measurement period that begins on 10/10/14 and ends on 10/9/15. Melissa will be credited with 0 hours during her break in service because the break was not due to a protected leave.

REHIRE WITH BREAK IN SERVICE THAT IS GREATER THAN 13 WEEKS



- Andrea, an ongoing full-time employee of the State, terminates her employment on June 6, 2015.
- Andrea had averaged at least 130 hours a month during the prior measurement period that began on 10/10/13 and ended on 10/9/14.
- Andrea is rehired with the State on November 15, 2015, as a part-time employee scheduled to work 15 hours a week.

REHIRE WITH BREAK IN SERVICE THAT IS GREATER THAN 13 WEEKS

- Andrea, an ongoing full-time employee of the State, terminates her employment on June 6, 2015.
- Andrea had averaged at least 130 hours a month during the prior measurement period that began on 10/10/13 and ended on 10/9/14.
- Andrea is rehired with the State on November 15, 2015, as a part-time employee scheduled to work 15 hours a week.

Result

- Andrea is treated as a new hire as of November 15, 2014 because her break in service was longer than 13 consecutive weeks.
- Since Andrea is being hired into a part-time position, she is not eligible for benefits as of the date of hire.
- Andrea is subject to an initial measurement period that begins on 12/1/15 and ends on 10/31/16.

ACA REPORTING
MINIMUM ESSENTIAL
COVERAGE & EMPLOYER
SHARED
RESPONSIBILITY



ACA REPORTING BEGINS IN 2016

	Minimum Essential Coverage (§6055)	Employer Shared Responsibility (§6056)	2016 Due Dates
Purpose	Enforce individual mandate	Enforce employer mandate	
	Validate public exchange	oremium subsidy eligibility	
Who Reports	Every entity providing MEC to an individual.	Every large employer with 50 or more full-time or equivalent employees.	
IRS Reporting	Include all covered individuals enrolled in MEC.	Include each full-time employee.	Extended: E-file: June 30 th 2016 Paper: May 31 st 2016
	If filing at least 250 For	ms 1095-C, must E-file.	
Individual Reporting	To each "responsible individual" who enrolls self or others in MEC.	Each employee who was full time for at least one month during reporting year.	Extended to March 31 st 2016
Penalties	Failure to report – \$250 p	er report, up to \$3 million	

INFORMATION THAT MUST BE REPORTED ESR REPORTING (6056)?

Aggregate Data

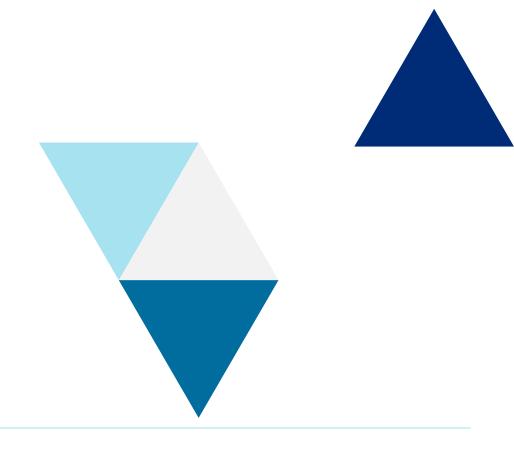
- Name, address, and EIN of employer; contact person information.
- Certification whether employer offered full-time employees and dependents MEC; months available.
- Number of employees/full-time employees, by month.

Individual Full-time Employee Data

- Name, address, & SSN of each fulltime employee.
- Coverage under MEC, by month (as applicable); to which dependents was coverage offered.
- Employee share of lowest cost minimum value (MV) self-only coverage offered employee (if any), by month.
- If coverage not offered, whether ESR exception applies.
- Whether affordability safe harbor met.

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FORM 1095-C



FORM 1095-C INDIVIDUAL STATEMENT

1095	-C	Em	plover-	Provide	d Heat	th Insura	nce	Offer	and	Cove	rage		1	VOID			OME No.	ЬD . 1545-22	0116 51
Form I U U U Department of the 1 Internal Revenue Sk	manary					ts separate in					_			CORRI	ECTED		20	15	
Percil Em				14.0					Appli	cable L	arge	Emplo	wer M	ember	(Emp	over)			
1 Name of employ	000			2	Social securit	y number (SSN)	7	Name of	employer						8	Employee	identifica	dion num	ber (EIN)
3 Street address	including sparts	ment no.)		12.5			9	Street ad	draws (inc	duding ro	om or su	te no.)			10	Contact t	alaphona	number	
4 City or town		5 State or pro-	ince	6(Country and 23	P ar tonsign pastal	code 11	City or to	NTI		12 5	bate or pr	ovince		13	Country at	nd ZIP or h	oneign pos	bel crode
Part II Em	ployee Offe	er and Cov	erage				F	lan Sta	rt Mo	nth (En	ter 2-di	git nun	nberj:						
	All 12 Months	Jan	Fab	M	ar .	Apr M	ay	June		July	1	Aug	Se	pt	Oct	\top	Nov	1 1	000
14 Offer of Coverage (enter required code)																			
15 Employee Share of Lowest Cost Monthly Premium,				- 2															
for Self-Only Minimum Value Coverage	\$	S	\$	\$	\$	s		S	\$		\$		\$	4	\$	\$		\$	
16 Applicable Section 4980H Sale Sarbor junter code, Explicable																			
	rered Indiv ployer prov		ured cove	rage, checi	k the box a	nd enter the i	nforma	tion for e	ach co	vered in	ndMdu								
(a) Name	of covered ind	dvictual(n)		(b) SSN	(c) DO not	IS (F SSN b: (c available) all	Coverso 12 month	d Jan	Feb	Mar	Apr	May (e	Months June	of Cover July	Aug	Sept	Oct	Nov	Dec
17																			
18			1																
19																			
20																			
21																			
22																			
For Privacy Act	and Paperwo	rk Reduction	Act Notice	. 500 S0Dar	ate instruct	tions.		_		Cat	No. 6070	SM	_	_	_	_	Form	1095-	C poss

FORM 1095-C PART II INDIVIDUAL STATEMENT CODES

Line 14

- 1A MEC providing affordable (based on FPL safe harbor), MV coverage offered to full-time employee, and at least MEC offered to spouse and dependents.
- 1B MEC providing MV offered to employee only.
- 1C MEC providing MV offered to employee and at least MEC offered to dependents (not spouse).
- 1D MEC providing MV offered to employee and at least MEC offered to spouse (not dependents).
- 1E MEC providing MV offered to employee, and at least MEC. offered to dependents and spouse.
- 1F MEC not providing MV offered to employee, employee spouse or dependents, or employee, spouse and dependents.
- 1G Offer of coverage to an employee not a full-time employee for any month of the calendar year and who enrolled in self-insured coverage for one or more months of the year.
- 1H No offer of coverage (no coverage or offered coverage is not MEC).
- 11 Qualified Offer Transition Relief 2015: employee (and spouse or dependents) received no offer; received non-qualifying offer or received qualifying offer for less than 12 months.

Line 15

Complete only if code 1B, 1C, 1D or 1E is entered in any box on Line 14.

Line 16

- 2A Employee not employed on any day of the calendar month
- 2B Employee is not a full time employee.
- 2C Employee enrolled in coverage offered.
- 2D Employee in limited § 4980H(b) limited non-assessment period (IMP or waiting period).
- 2E Multiemployer interim relief rule.
- 2F Form W-2 safe harbor for affordability.
- 2G FPL safe harbor for affordability.
- 2H Rate of pay safe harbor for affordability.
- 2I Non-calendar year transition relief applies.

FORM 1095-C INDIVIDUAL STATEMENT

Example: Elaine

- Elaine is hired by the State of Arizona on May 15, 2014 into a variable hour employee position.
- Elaine averages at least 130 hours a month during her initial measurement period that commences on 6/1/14 and ends on 4/30/15.
- As of 7/1/15, Elaine and her family are offered coverage under a minimum value plan and the cost of EE only coverage is affordable under FPL safe harbor. Elaine enrolls in the coverage as of July 1, 2015 and remains covered through the end of 2015.

Part II Employe	ee Offer and C	Coverage											
	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
14 Offer of Coverage (enter required code)		1H	1H	1H	1H	1H	1H	1A	1A	1A	1A	1A	1A
15 Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage													
16 Applicable Section 4980H Safe Harbor (enter code, if applicable)		2D	2D	2D	2D	2D	2D						

F	Part III Covered Individuals If Employer provided self-insured	coverage, check the bo	ox and enter	the informa	ation fo	r each d	covered	d indivic	dual. 🗆							
	(a) Name of covered individual(s)	(b) SSN	(c) DOB (If SSN is not	(d) Covered all 12					(e)	Months of	of Covera	ge				
	(-,	(-,	available)	months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1	⁷ Elaine Soza	123-76-5671									X	X	Χ	X	Χ	х
18	8															

FORM 1095-C INDIVIDUAL STATEMENT

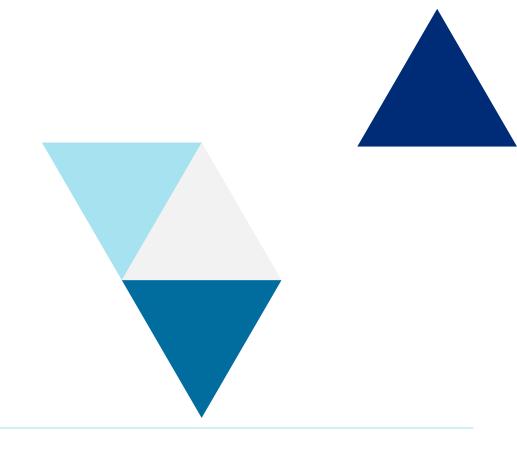
Example: Melissa

- Melissa averaged at least 130 hours a month during the standard measurement period that began on 10/10/13 and ended on 10/9/14.
- As of January 1, 2015, Melissa and her family are offered coverage under a minimum value plan and the cost of EE only coverage is affordable under FPL safe harbor. Melissa enrolls in such coverage.
- Melissa terminates from employment on June 6, 2015 and is not eligible for coverage on and after June 15, 2015 (i.e., next payroll period after termination from employment).
- Melissa is rehired with the State on August 10, 2015, as a part-time employee scheduled to work 15 hours a
 week. Melissa is not offered any benefits upon rehire.

Part II Employe	ee Offer and C	Coverage											
	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
14 Offer of Coverage (enter required code)		1A	1A	1A	1A	1A	1H	1H	1H	1H	1H	1H	1H
15 Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage													
16 Applicable Section 4980H Safe Harbor (enter code, if applicable)							2B	2A	2D				

Pa	If Employer provided self-insured of	coverage, check the bo	ox and enter	the informa	ation fo	r each o	covered	d individ	dual. 🗆							
	(a) Name of covered individual(s)	(b) SSN	(c) DOB (If SSN is not	(d) Covered all 12					(e)	Months of	of Covera	ge				
	(4)	(3) 33.1	available)	months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
17	Melissa Morgan	541-44-5551			Х	Х	Х	Х	Х	Х						
18																

FORM 1094-C



FORM 1094-C TRANSMITTAL - PARTS I AND II

4004.0	Transmittal of Em	ployer-Provided Health Ir	neurance Offer and	CORDECTED	120116 OMB No. 1545-2251
₅1094-C				CORRECTED	
Department of the Treasury		overage Information Retu n 1004-C and its separate instructions is:			2015
Internal Revenue Service	arge Employer Member (AL	•	at mensura guerrome rosec		
1 Name of ALE Member (Empl		E Melliber	2 Employer Identification number (EIM)		
	-,,				
3 Street address (including rox	im or suite no.)		'		
4 City or town		5 State or province	6 Country and ZIP or torsign postal code		
7 Name of person to contact			B Contact telephone number		
9 Name of Designated Govern	and Calife Inde Superiorities		10 Employer Identification number (EIN)		
a remove being and design	man many tony a separated		io inpoje della di inice (in		
11 Street address (including rox	m or suite no.\				
				For Offi	icial Use Only
12 City or lown		12 State or province	14 Country and ZIP or toneign postal code		~~~ ~
15 Name of person to contact			16 Contact telephone number		шшш
			_		
17 Reserved					
II I TACABITAL					
18 Total number of Form	is 1095-C submitted with this tra	insmittal			. •
19 is this the authoritativ	e transmittal for this ALE Membe	or? If "Yes," check the box and continu	ie. If "No," see instructions		
ALE Member					
20 Total number of Form	is 1095-C filed by and/or on beh	alf of ALE Member			<u>. </u>
21 Is ALE Member a me	mber of an Aggregated ALE Gro	up?			. Yes No
If "No," do not compl	ete Part IV.				
22 Certifications of Elic	ibility (select all that apply):				
	,, (,,,,,,				
A. Qualifying Offer	Method B. Quality	ing Offer Method Transition Relief	C. Section 4980H Transition	Relief	D. 98% Offer Method
Under penalties of perjury, I d	lectare that I have examined this retu	im and accompanying documents, and to the	he best of my knowledge and belief, they a	re true, correct, and	complete.
\		\			
Signature		Titio		Data	
For Privacy Act and Paperw	ork Reduction Act Notice, see sec	parate instructions.	Call No. 81571A		Corn. 1094-C: 2005

Part	III ALE Membe	r Information – N	Monthly				ο,		×
		Offer In	sential Coverage adicator	(b) Full-	Time Employee Count or ALE Member	(c) Total Employee Count for ALE Member	(d) Aggregated Group Indicate	d	(e) Section 4980H Transition Relief Indicator
		Yes	No			Jer r the member			Tansition neiter indicator
23	All 12 Months								
24	Jan								
25	Feb					For each calences, an employer the			
26	Mar				offers health	coverage to at le e employees (and	ast 70%		
27	Apr					may enter an "X"			
28	May				100 01100110				
29	June								
30	July				*				
31	Aug				· · · · · · · · · · · · · · · · · · ·				
32	Sept								
33	Oct								
34	Nov								
35	Dec			>					

Part	ALE Membe	r Information—M	onthly				8	<u> </u>
		Offer In	sential Coverage adicator	(b) Full-Time E	mployee Count Member	(c) Total Employee Count for ALE Member	(d) Aggregated Group Indicator	(e) Section 4980H Transition Relief Indicator
		Yes	No			,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		Transition Field Indicator
23	All 12 Months							
24	Jan							
25	Colun	n (b): Ente	er the numbe	er of				
26	full-tim	ne employee	s for each m ny employee	onth,				
27			sment period					
28	May							
29	June							
30	July							
31	Aug							
32	Sept							
33	Oct							
34	Nov							
35	Dec							

1 0 H M 1 0 0 4 0	IIIAIIO			IAIII			
	Form 1094-C (2015) Part III ALE Membe	I	•				12021 Page
			ssential Coverage ndicator No	(b) Full-Time Employee Count for ALE Member	(c) Total Employee Count for ALE Member	(d) Aggregated Group Indicator	(e) Section 4980H Transition Relief Indicator
	23 All 12 Months	Tes					
(0 1)							
olumns (a & b)							
Employees in "limited no	n-assessme	ent perio	ods" are	n't			
full-time on 1094-C.							
Includes:							
- First month of empl	oyment for h	nire date	es other				
than first of month.							
- For full-time employ							
calendar months af period.	ter month of	hire wi	th waitir	ng			
penou.			1 /16				

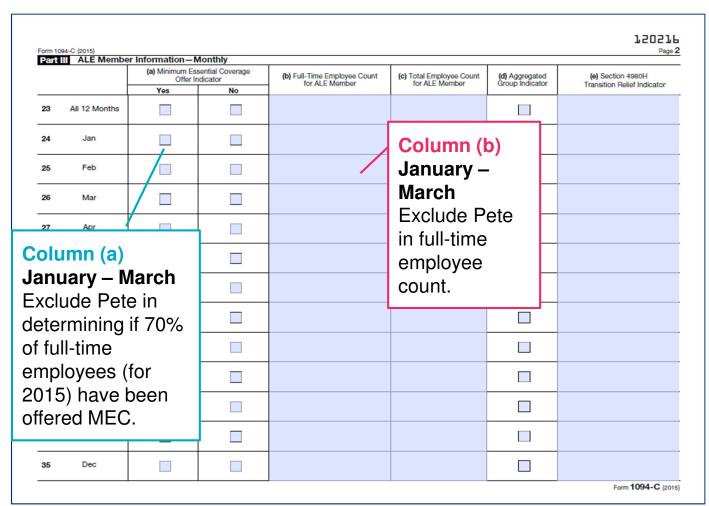
For variable hour, part-time or seasonal (if employer using look-back measurement method) initial measurement period + initial administrative period.

Columns (a & b)

Form 1094-C (2015)

Example: Pete

- Hired January 15, 2015, expected to be full-time.
- Pete and children offered at least MEC
 April 1, 2015.



Part	III ALE Membe	er Information—N	onthly				×3	
			sential Coverage adicator	(b) Full-Time Employee Count for ALE Member		ployee Count Member	(d) Aggregated Group Indicator	(e) Section 4980H Transition Relief Indicator
		Yes	No	OF ALL WORLDS	IOI ALL	William	Group Indicator	Transition Relief Indicator
23	All 12 Months							
24	Jan							mployee count
25	Feb					time, pa	art-time, tem	ees, including full- porary, employees
26	Mar					etc. Th	ne total count	essment period t can be ne of the following
27	Apr					dates s	•	e same day is
28	May					• The	first day of e last day of e	ach month;
29	June					• The	12th day of e	
30	July					perio	•	during each
31	Aug					• The	last day of th	ne first payroll during each
32	Sept					mon	th (provided	that for each ay falls within the
33	Oct					cale		n which the payroll
34	Nov							
35	Dec							

Part	III ALE Membe	r Information — N	Monthly	\$ 3	<u> </u>		(a)	×
			sential Coverage ndicator	(b) Full-Time Employee Count for ALE Member	(c) Total Employee C	Count	(d) Aggregated Group Indicator	(e) Section 4980H Transition Relief Indicator
		Yes	No	IOI ALL WOITIDG	IOI ALL WOITE	<u> </u>	Group maleator	Transition Relief Indicator
23	All 12 Months					/		
24	Jan							
25	Feb			mn (d): Must comple				
26	Mar		in line	e 21, indicating that, d h of the calendar year	luring any			
27	Apr			ber of an Aggregated				
28	May							
29	June							
30	July							
31	Aug							
32	Sept							
33	Oct							
34	Nov							
35	Dec							

Part	III ALE Membe	r Information — N	Monthly	<u> </u>	<i></i>		©	<u> </u>
			sential Coverage adicator	(b) Full-Time Employee Count for ALE Member	(c) Total Employee Count for ALE Member		(d) Aggregated Group Indicator	(e) Section 4980H Transition Relief Indicator
		Yes	No		The man in the latest			Transition Netter Indicator
23	All 12 Months							
24	Jan							
25	Feb			mn (e): If ALE with 1				
26	Mar		asses	me employees is subj ssable payment under	rsection			
27	Apr			H(a) in any month, Co d be entered in colur				
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32	Sept							
33	Oct							
34	Nov							
35	Dec							

FORM 1094-C TRANSMITTAL - PART IV

750372

Port 1094-C (2015)
Port IV Other ALE Members of Aggregated ALE Group

Enter the names and EINs of Other ALE Members of the Aggregated ALE Group (who were members at any time during the calendar year).

Name	EIN	Name	EIN
36		51	
37		52	
36		53	
30		54	
40		55	
41		56	
42		57	
43		58	
44		50	
45		60	
46		61_	
47		62	
48		63	
49		64	
50		65	4004.0

Form 1094-C (2015)